

CHINA'S DEMOGRAPHIC TRANSITION

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Executive Summary

1. China's population size reached 1.37 billion in 2015. However, due to the stringent one-child policy and resultant declining total fertility rate, the country is now experiencing significant demographic transition.
2. China's working-age population (aged 15-64) has started to shrink. Moreover, according to World Bank projection, total population size faces a downturn pressure towards 2030.
3. At the early stage of reform, there was a population movement to east and southeast coastal China for higher labour return. China's current demographic transition tends to reinforce this settlement pattern between the highly dense urban areas and the remote rural places.
4. The chief factor that shapes China's interregional labour flow is still the intersectoral wage difference. The current demographic transition nationwide is a continuous rural-to-urban working-age migration.
5. Provincial level data show that economically inferior areas usually have a higher dependent ratio. Due to sufficient labour stock and labour inflows, dependency ratio in economically advanced area tends to be lower.
6. China's demographic transition presents both pros and cons for the country. Positively, population decline can create opportunities for more relaxed land use in densely populated areas.
7. Negatively, rapid population ageing and a sharp labour stock decline will increase the pressure on pension funds and labour supply which is necessary for sustaining China's ongoing income transition.
8. In the agricultural sector, the combination of ageing society and labour outflow has forced some rural households to quit agricultural production.

9. Likewise, slowdowns in China's export-led industries that heavily rely on abundant labour supply have occurred.
10. Although the on-going demographic change may create more job opportunities in the service sector like the elderly care system, this in turn may deteriorate labour supply to China's secondary industry.
11. China's future development is much predicated on the government's social policies to overcome the immediate influence of its shrinking working-age population. A comprehensive reform of the country's pension system has been launched.